

COMMISSION BENCHMARK MEETING

BRIEFING PAPER

Prepared for the
December 2002 Transportation Commission Benchmark Committee Meeting

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PURPOSE:

1. To update the Commission Benchmark Committee on WSDOT's efforts to develop an administrative cost benchmark, and to discuss the most recent WSDOT ranking based on FHWA data.
2. To update the Commission Benchmark Committee on the Washington State Transit Association's (WSTA) work on a transit cost-efficiency benchmark.

ACTION/OUTCOME:

The Benchmark Committee will review the presented information on administrative cost and transit cost-efficiency benchmarks.

BACKGROUND:

Benchmarking Legislation and the Blue Ribbon Commission on Transportation (BRCT)

Section 101 of Engrossed Substitute House Bill 2304, passed by the Legislature in January 2002 became effective on July 1, 2002. This legislation requires the Transportation Commission to establish detailed and measurable performance benchmarks based on certain policy goals.

Administrative Cost Policy Goal

One of these policy goals is administrative efficiency. The bill provides that WSDOT's "administrative costs as a percentage of transportation spending shall achieve the most efficient quartile nationally." This legislation follows the direction of the BRCT's Benchmark 10, which reads that "Administrative costs as a percent of transportation spending at the state, county and city levels should improve to the median in the short-term and to the most efficient quartile nationally in the longer term."

Public Transit Agencies' Median Cost per Vehicle Revenue Hour Policy Goal

Another policy goal addresses cost-efficiency of the state's public transit agencies. The bill provides that the state's public transit agencies "achieve the median cost per vehicle revenue hour of peer transit agencies, adjusting for the regional cost-of-living." This legislation tracks the language of the BRCT's Benchmark 11: "Washington's public transit agencies will achieve the median cost per vehicle revenue hour of peer group transit agencies, adjusting for regional cost-of-living."

DISCUSSION:

Administrative Cost Policy Goal

Each year, the Federal Highway Administration (FHWA) releases its Highway Statistics report, a compilation of revenue, expenditure, and allocation reporting from all 50 states. The report includes a line item for general administration and miscellaneous expenditures. States prepare a total of 13 different reports to provide FHWA with a variety of information on the nation's highway infrastructure for use as a basis for allocations of federal funds to states. WSDOT's report for 2002 regarding administrative costs is due to FHWA in January 2003.

Despite the seeming accessibility of FHWA criteria and data, it is not entirely clear how to use the criteria to define a national benchmark, because of the significant inconsistencies in the reporting of the data by each state. FHWA does not make efforts to achieve consistency and issues an accompanying disclaimer advising that the data is not valid for making comparisons between states.

During its July meeting the Benchmark Committee concluded that despite this lack of a consistent national benchmark, the FHWA definition of "general administrative and engineering," as described in item A.4 a, could be used as a starting point for **internal** benchmarking purposes. The Committee directed staff to examine its reporting of general administration and miscellaneous expenditures for a consistent separation of project-related costs and administrative costs, following the FHWA definition.

At the October meeting, the Benchmark Committee reviewed possible scenarios for A.4.a. alignment. At this meeting the Committee directed staff to continue to refine calculations. Staff's recommended approach, with refinements, will be presented again at the December meeting. This approach, if implemented, will be the basis for WSDOT's reporting to FHWA, as well as for use in internal benchmarking purposes.

Newly Released FHWA Data

According to the most recent FHWA report, released in November 2002, WSDOT ranks 21st lowest in administrative cost spending as a percentage of capital outlay and maintenance expenditures, at 6.8 percent. This puts WSDOT lower than the national median of 7.2 percent, but higher than the first ("most efficient") quartile of 5.2 percent. See Appendix A for this comparison.

Public Transit Agencies' Median Cost per Vehicle Revenue Hour Policy Goal

WSDOT compiles annual operating costs and annual revenue vehicle hours from each of the state's public transit agencies in the course of developing the annual public transportation report that is required by RCW 35.58, Section 2796. The Federal Transit Administration's National Transit Database (FTA) collects annual operating costs and annual vehicle hours from each of the public transit agencies in urbanized areas. Currently only half of the 26 public transit agencies in Washington State remit data to FTA. Rural transit systems are not required to report FTA.

Cost (operating expense) per vehicle revenue hour is one of six performance indicators FTA recognizes and reports nationally. The six are operating expense per passenger trip, operating expense per passenger mile (*not readily available for rural systems*), passenger trips per vehicle revenue hour, passenger trips per vehicle revenue mile, operating expense per vehicle revenue hour, and operating expense per vehicle revenue mile.

Four of the five federal reporting variables (operating cost, passenger trips, vehicle revenue hours, and vehicle revenue miles) are also available for in state reporting by rural systems. Passenger miles are not reported by rural systems.

WSTA is committed to implement the policy goals and benchmarks as directed by the legislature, but the benchmark has several limitations, including data consistency and system comparability.

At its October 16, 2002 meeting, the Transportation Commission Benchmark Committee adopted all of the following recommendations made by WSTA and WSDOT staff:

- The “Median or Weighted Average Operating Cost per Vehicle Revenue Hour” measure will be used as an interim measure. This measure has limitations but it can serve as a good alternative until additional or substitute measures are identified.
- Until comparable national peer systems can be identified, transit agencies will assess performance against oneself and other comparable in-state transit systems only. The “Statewide Median or Weighted Average Operating Cost per Vehicle Revenue Hour” and the individual transit systems’ “Operating Cost per Vehicle Revenue Hour” within the respective categories (i.e. size and type of service) should serve as an interim benchmark and performance measure for transit systems in the state.
- The data for this measure will be collected and analyzed by WSTA. WSTA will submit the measurement results through WSDOT staff to the Transportation Commission.
- WSTA will work with WSDOT and the Commission to develop additional relevant transit benchmarks and performance measures. WSTA has established a Performance Measure committee that will take up this work.

WSTA will discuss a draft of the interim/default benchmark or any new measure(s) at the December Benchmark Meeting. By January 2003, WSTA will provide final information about its selected transit performance measures, or the interim/default measure, through WSDOT staff to the Transportation Commission for publication in a report to the Legislature.

RECOMMENDATIONS:

WSDOT staff requests Commission concurrence with the recommended approach for calculating administrative cost. WSTA representatives will be present to share their work in developing transit cost-efficiency benchmarks and may need further direction from the Benchmark Committee.

Appendix A

Blue Ribbon Commission Calculation

2001 Administrative Cost Comparison¹

Calculated from FHWA's *Highway Statistics 2001*, Table sf4c

STATE	GENERAL ADMIN PERCENT OF CAPITAL OUTLAY AND MAINTENANCE	RANK
Colorado	2.1%	1
Arkansas	2.2%	2
Indiana	2.4%	3
Wyoming	2.7%	4
New Mexico	2.8%	5
Kentucky	3.0%	6
Missouri	3.2%	7
Pennsylvania	3.9%	8
Maine	4.2%	9
Maryland	4.5%	10
West Virginia	4.6%	11
Florida	4.8%	12
Iowa	5.1%	13
Alabama	5.2%	14
Georgia	5.6%	15
Michigan	5.6%	16
Virginia	5.9%	17
Alaska	6.5%	18
Idaho	6.6%	19
New York	6.7%	20
Washington	6.8%	21
New Hampshire	6.8%	22
Illinois	6.9%	23
North Carolina	6.9%	24
Kansas	7.0%	25
Texas	7.5%	26
Vermont	7.5%	27
Mississippi	8.2%	28
Massachusetts	8.3%	29
Oklahoma	8.3%	30
Nevada	8.6%	31
Minnesota	8.8%	32
South Carolina	8.9%	33
Oregon	9.1%	34
Utah	9.1%	35
South Dakota	9.2%	36
Delaware	9.5%	37
Rhode Island	9.8%	38
Nebraska	9.9%	39
Tennessee	10.3%	40
Ohio	10.6%	41
Wisconsin	11.6%	42
Connecticut	11.8%	43
New Jersey	12.2%	44
California	13.0%	45
Montana	13.8%	46
Arizona	16.0%	47
North Dakota	16.6%	48
Louisiana	23.4%	49
Hawaii	23.8%	50

1st Quartile: 5.2%

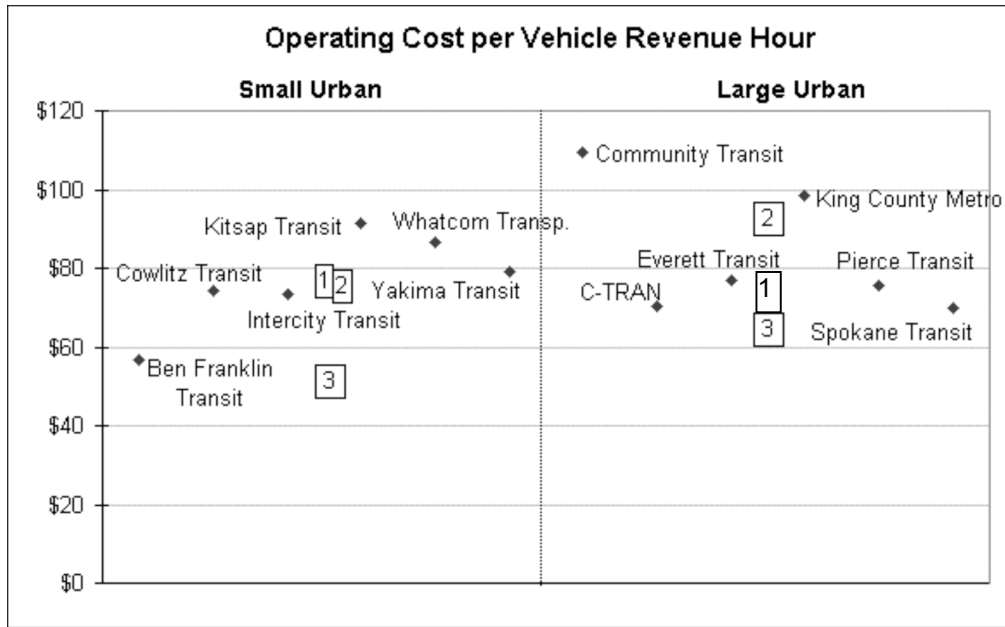
2nd Quartile (Median): 7.2%

3rd Quartile: 9.7%

¹ FHWA's information comes with a disclaimer: "The combined effect of variations in indirect cost allocations, and the differences in State highway program structures cause the general administration numbers to vary widely among the states. For these reasons, the administration data are not a suitable measure for comparisons of State administrative efficiency."

Appendix B

Possible Presentation of Interim Benchmark Information



Median operating cost of selected U.S. large urban peer transit agencies: \$69.36 per vehicle revenue hour
 Weighted average operating cost for the state's large urban transit agencies: \$93 per vehicle revenue hour

Median operating cost of selected U.S. small urban peer transit agencies: \$55.12 per vehicle revenue hour
 Weighted average operating cost for the state's small urban transit agencies: \$76 per vehicle revenue hour

Fixed Route Operating Costs per Vehicle Revenue Hour			
	2000	1998	1996
Large Urban Systems			
Spokane Transit	\$69.84	\$67.31	\$65.52
C-TRAN	\$70.44	\$65.96	\$74.79
Pierce Transit	\$75.50	\$76.31	\$69.15
Everett Transit	\$76.70	\$75.22	\$83.26
King County Metro (motor and trolley bus)	\$98.58	\$95.74	\$88.00
Community Transit	\$109.30	\$100.04	\$118.40
1. Median of State Large Urban Systems	\$76.10	\$75.77	\$79.02
2. Weighted Average of State Large Urban Systems*	\$93.00	N/A	N/A
3. Median of Unofficial Selection of U.S. Peers **	\$69.36	\$66.89	\$60.48
Small Urban Systems			
Ben Franklin Transit	\$56.90	\$68.67	\$60.87
Intercity Transit	\$73.40	\$57.92	\$60.73
Cowlitz Transit	\$74.40	\$59.10	\$60.25
Yakima Transit	\$79.20	\$70.63	\$70.96
Whatcom Transp.	\$86.50	\$79.17	\$82.03
Kitsap Transit	\$91.40	\$80.38	\$73.29
1. Median of State Small Urban Systems	\$76.80	\$69.65	\$65.91
2. Weighted Average of State Small Urban Systems*	\$76.00	N/A	N/A
3. Median of Unofficial Selection of U.S. Peers **	\$55.12	\$49.43	\$46.80

* Weighted average calculated according to passenger trips and service hours is approximately equal.

** No official median measure of U.S. transit agencies exists.